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How Dollar Tree, Dollar General, and TJX are weathering the downturn

Article

Many retailers are predicting that consumer spending patterns in 2024 could be similar to 2023—pulling back on discretionary categories and sometimes essentials like groceries. So far, discount and dollar stores have benefited from tightened consumer spending, but that success isn't guaranteed in the new year. Here's how three low-price retailers are planning to appeal to consumers and keep sales up in the months ahead.

1. Dollar Tree is attracting new customers

Dollar Tree added 4.3 million new customers and Family Dollar added 2.3 million in the 12 months ending September 30, 2023, according to Rick Dreiling, Dollar Tree Inc. chairman and CEO. Dollar Tree Inc. owns both banners.

"Most of these first-time customers come back to shop with us multiple times after their first visit," said Dreiling in a Q3 earnings call. "[But just] as importantly, Dollar Tree is attracting customers from a broader range of income levels. Most of our new customers over the past year have household incomes over $125,000," noting this demographic was a significant contributor to Dollar Tree's Q3 comp growth.

To continue to draw in new customers across income brackets, Dollar Tree is expanding its multiprice assortment (i.e., products with price points beyond $1.25).

- 17% of US households have purchased a multiprice product from Dollar Tree at least once in the past 12 months, according to the company.
- These purchases are on top of baskets containing items at the traditional (i.e., $1.25) price point.

2. Dollar General gets more selective with its assortment

Dollar General, however, is reducing the number of SKUs, which it said helps lower costs, enabling the retailer to pass those savings to the customer.

"We may have five or six different variants of mayonnaise on the shelf today. We can easily drop one or two of those," said CEO Todd Vasos in a Q3 earnings call. "The consumer is not going to know the difference, actually [it's] going to make her life a little simpler when she goes to the shelf, [it's] going to make the store's life simpler to put product on the shelf. And also, what it's going to do is help our warehouses actually eliminate a lot of holding slots."

In terms of physical space, however, Dollar General is thinking bigger.

"More than 90% of our new stores and relocations will be in one of our larger-store formats, which continues to drive increased sales productivity per square foot as compared to our traditional 7,300-square foot box [location]," said Vasos.

These larger locations will allow Dollar General to provide a more holistic mix of products, including refrigerated products, health and beauty products, and fresh produce, according to the company.

3. TJX Companies bets on brick-and-mortar

Earlier this year, HomeGoods shut down its ecommerce business to refocus its resources on its physical locations.

There wasn't a path to profitability for HomeGoods' ecommerce business, said John Klinger, executive vice president and CFO of parent company TJX in a Q3 earnings call.

And it makes sense that ecommerce wouldn't be a smash hit for a brand like HomeGoods. Treasure hunting is part of the appeal of shopping at HomeGoods, which is hard to replicate online.

Though TJX was "pleased" with how its other ecommerce sites performed in Q3, Klinger notes that ecommerce is "a very small percentage of our business and remains complementary to our very successful brick-and-mortar business," suggesting that brick-and-mortar will remain the company's focus for the foreseeable future.

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